

Message Text

UNCLASSIFIED

PAGE 01 BRASIL 06267 291102Z

10

ACTION EB-07

INFO OCT-01 AF-06 ARA-10 EUR-12 ISO-00 CIAE-00 DODE-00

PM-03 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-02 PRS-01

SP-02 SS-15 USIA-15 AID-05 COME-00 FRB-01 TRSE-00

XMB-04 OPIC-06 CIEP-02 LAB-04 SIL-01 OMB-01 AGR-10

STR-04 /129 W

----- 110263

R 282055Z JUL 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 627

INFO AMEMBASSY ABIDJAN

AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMEMBASSY MEXICO CITY

AMEMBASSY LONDON

AMEMBASSY SAN SALVADOR

AMCONSUL RIO DE JANEIRO

AMEMBASSY LUANDA

UNCLAS BRASILIA 6267

FOLLOWING RECD FROM RIO DE JANEIRO DATED 25 JUL 75 SENT

ACTION BRASILIA INFO SAO PAULO BEING REPEATED FOR YOUR ACTION

AND INFO:

QUOTE

RIO DE JANEIRO 2366

E. O. 11652: N/A

TAGS: EAGR, BR

SUBJ: RIO REACTIONS TO FROST

1. CONGEN RIO HAS CONTACTED IMPORTANT LOCAL COFFEE BROKERS
TO OBTAIN THEIR REACTIONS TO THE SEVERE FROST OF LAST WEEK.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BRASIL 06267 291102Z

2. WHILE MUCH ATTENTION HAS BEEN FOCUSED ON THE FROST AS

BEING "THE WORST THIS CENTRY", THE SIGNIFICANCE TO BRAZIL AND TO THE COFFEE INDUSTRY DOES NOT STEM FROM THIS FACT ALONE. IN FACT, THE 1964 COFFEE CROP WAS DEVASTATED ALMOST EQUALLY BY FORST. STOCKS, HOWEVER, WERE SIGNIFICANT AT THAT TIME (55 MILLION BAGS). STOCKS NOW ARE MUCH LOWER (21 MILLION BAGS). SIMPLE PROJECTIONS OF BRAZILIAN CONSUMPTION AND WORLD DEMAND FOR BRAZILIAN PRODUCTION SHOW THAT STOCKS WILL JUST ABOUT RUN OUT AT THE END OF 1977/78 MARKETING YEAR.

3. ANOTHER FACTOR WHICH DISTINGUISHES THE PRESENT SITUATION FROM ANY IN THE PAST IS THE AVAILABILITY OF ALTERNATIVES FOR MOST OF THE COFFEE GROWERS. THE CONSIDERATION OF ALTERNATIVES APPLIES PARTICULARLY TO THE PARANA FARMERS. MANY FARMERS MAY SWITCH TO SOY PRODUCTION OR OTHER CROPS. COFFEE FARMERS OVER THE LAST FEW YEARS HAVE BEEN ENVIOUSLY EYEING THEIR COLLEAGUES WHO MADE THE SWITCH TO SOY AND OTHER PRODUCTS. THE EVENTS OF THIS YEAR, COMBINED WITH THE FACT THAT THE CURRENT YEAR'S COFFEE CROP IS LARGELY IN THE FARMERS' HANDS, MAY WELL BE THE IMPETUS FOR A LARGE SCALE SHIFT INTO SOYBEANS. SINCE FARMERS STILL ARE HOLDING ALMOST ALL THIS YEAR'S PRODUCTION, THEY WILL HAVE A MONETARY CUSHION TO MAKE THE ADJUSTMENT, TAKING ADVANTAGE OF NOW SOARING COFFEE PRICES. INITIAL ESTIMATES ARE THAT THE PARANA COFFEE FROST IS SO SEVERE THAT MANY PLANTS WILL HAVE TO BE REPLANTED, THUS ELIMINATING FARMERS' INCOME FROM SUCH PLANTS FOR SEVERAL YEARS. THIS SCENARIO IS ACTIVELY DISCUSSED AMONG THE RIO COFFEE COMMUNITY. WHETHER IT WOULD ACTUALLY MATERIALIZE IS ANOTHER QUESTION, BUT THE ECONOMICS WOULD SEEM TO ENCOURAGE A SHIFT BY AT LEAST A SIGNIFICANT PROPORTION OF THE PARANA GROWERS. THE SITUATION IN SAO PAULO IS SOMEWHAT DIFFERENT, WITH HIGH LAND PRICES IN SAO PAULO LIMITING THE LIKELYHOOD OF THE SWITCH TO SOY AND OTHER FARM PRODUCTION. ALSO, DAMAGE IS LESS EXTENSIVE IN SAO PAULO.

4. A THIRD FACTOR WHICH DISTINGUISHES THIS YEAR'S FROST IS THE SOCIAL IMPACT IT COULD HAVE. COFFEE PRODUCTION, BEING RELATIVELY LABOR INTENSIVE, IT HAS PROVIDED EMPLOYMENT

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BRASIL 06267 291102Z

TO LARGE NUMBERS IN BOTH PARANA AND SAO PAULO. EVEN THOUGH BRAZIL CANNOT BE IN ANY SENSE CONSIDERED A HIGH LABOR COST COUNTRY, LABOR COSTS HAVE BEEN INCREASING FOR COFFEE GROWERS. THIS FACTOR, COMBINED WITH THOSE ABOVE, COULD FURTHER ENCOURAGE PRODUCERS TO SHIFT INTO SOY AND OTHER MORE CAPITAL INTENSIVE LINES. THE SOCIAL EFFECT OF THROWING SEVERAL HUNDRED THOUSAND WORKERS OUT OF THEIR JOBS COULD BE STAGGERING. THE GOVERNMENT HAS NOTED THEIR

CONCERN IN THIS REGARD, BUT IT IS NOT CLEAR WHAT THEY
CAN DO ABOUT IT.

5. THERE FOLLOWS A ROUGH SCENARIO FOR THE EXHAUSTION OF
BRAZILIAN COFFEE STOCKS BY JUNE 30, 1978. IT IS MORE
OR LESS AN AVERAGE OF ESTIMATES GIVEN. IT DOES NOT
ASSUME A MASSIVE SHIFT INTO SOY PRODUCTION IN PARANA.

1975/6 MARKETING

CARRY-OVER: 21 MILLION BAGS

21 MILLION BAGS PRODUCTION

TOTAL: 43 MILLION BAGS

BRAZILIAN CONSUMPTION: 7 MILLION BAGS

BRAZILIAN EXPORTS: 18 MILLION BAGS

1976/7 MARKETING

CARRY-OVER: 18 MILLION BAGS

10 MILLION BAGS PRODUCTION (OPTIMISTIC)

BRAZILIAN CONSUMPTION: 7.5 MILLION BAGS

EXPORTS: 16 MILLION BAGS

1977/8 MARKETING

CARRY-OVER: 4.5 MILLION BAGS

18 MILLION BAGS PRODUCTION

BRAZILIAN CONSUMPTION: 8 MILLION BAGS

EXPORTS: 14 MILLION BAGS

JUNE 30, 1978 - MINIMAL STOCKS

6. CONGEN RIO WILL NOW UNDERTAKE A SURVEY TO ATTEMPT TO
ESTIMATE THE BALANCE OF PAYMENT IMPACT OF FROST AND
SUBSEQUENT IBC EXPORT EMBARGO.

UNCLASSIFIED

UNCLASSIFIED

PAGE 04 BRASIL 06267 291102Z

7. AS DUST SETTLES (OR PERHAPS AS FROST THAWS), CONGEN
WILL RENEW CONTACTS WITH SENIOR IBC OFFICIALS TO GET
THEIR VIEWS. THEY HAVE BEEN TOO PREOCCUPIED OVER THE LAST
WEEK TO MAKE SUBSTANTIVE CONTACT WORTHWHILE, WITH
EXCEPTION OF DELIVERY OF KATZ MESSAGE.
DEXTER UNQUOTE
RUSER

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COFFEE, CROP DESTRUCTION, ECONOMIC CONDITIONS, GOVERNMENT REACTIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BRASIL06267
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750261-0146
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750714/aaaaamdf.tel
Line Count: 161
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: hartledg
Review Comment: n/a
Review Content Flags:
Review Date: 07 JAN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 JAN 2003 by ThomasVJ>; APPROVED <30 JAN 2004 by hartledg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RIO REACTIONS TO FROST
TAGS: EAGR, EPAP, ETRD, BR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006